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PARAMETERS OF THE PERSONAL INCOME TAX SYSTEM FOR **2015**

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Table of contents

1. Indexing of the personal income tax system 3
2. Impact of indexing for the government 4
3. Increase in the work premium and child assistance 5
4. Comparison of indexing rates of the Québec, federal and provincial tax systems 6
5. Tables of parameters 7

1. INDEXING OF THE PERSONAL INCOME TAX SYSTEM

The tax legislation stipulates automatic indexing of the main parameters of the personal income tax system. Indexing applies to the taxable income bracket thresholds of the tax table and to the basic amount. It also applies to most parameters used to determine tax credits.

Indexing of the personal income tax system helps keep the tax system up to date to reflect the annual rise in the price of goods and services. In practical terms, indexing the tax system increases the amount of many deductions and tax credits by a rate determined on the basis of the rise in consumer prices in Québec.

❑ Indexing rate for taxation year 2015

The indexing rate for 2015 corresponds to the percentage change in the consumer price index for Québec (CPI-Québec), excluding alcohol and tobacco, between the twelve-month period ending September 30, 2014 and the twelve-month period ending September 30, 2013.

According to this formula, the personal income tax system will be indexed by 1.06% for taxation year 2015.

Indexing Formula
The indexing formula stipulated in the Taxation Act is applied by multiplying the parameter to be indexed by the change from A compared to B. The result obtained is rounded according to the applicable rule. - "A" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the preceding year. - "B" represents the average of the CPI-Québec, excluding alcohol and tobacco, for the twelve months ending September 30 of the year immediately prior to the preceding year.

2. IMPACT OF INDEXING FOR THE GOVERNMENT

In 2015, the Québec government will index the tax system at a cost of $268 million. Over the period from 2007 to 2015, the cumulative impact will equal more than $3.0 billion.

TABLE 1

Impact of indexing the personal income tax system – 2007 to 2015

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Indexing rate in percent	2.03	1.21	2.36	0.48	1.27	2.66	2.48	0.97	1.06
Impact in millions of dollars	340	315	437	97	239	514	574	253	268
Cumulative impact in millions of dollars	340	655	1 092	1 189	1 428	1 942	2 516	2 769	3 037

3. INCREASE IN THE WORK PREMIUM AND CHILD ASSISTANCE

The indexing of basic benefits of last-resort financial assistance programs requires that a different method be applied to increase the reduction thresholds of the work premium and child assistance in order to keep the tax system and income security programs in harmony.

❑ Work premium

The general work premium is integrated with the last-resort assistance system. It reaches its maximum at the income threshold at which a household fit for work is no longer eligible for last-resort assistance. Above that income level, the general work premium is reduced.

Moreover, the first dollars of earned income, up to $2 400 for a household consisting of one adult and $3 600 for a household consisting of two adults, are exempt from the calculation of the general work premium.

Like the general work premium, the adapted work premium for individuals with severely limited capacity for employment is integrated with the last-resort assistance system. However, the parameters for calculating the adapted work premium are different from those used to determine the general work premium.

❑ Child assistance

To integrate child assistance with the work premium, the income threshold at which the work premium becomes zero corresponds to the threshold at which child assistance begins to reduce with income.

The maximum amounts of child assistance are indexed at the indexing rate of the tax system.

4. COMPARISON OF INDEXING RATES OF THE QUÉBEC, FEDERAL AND PROVINCIAL TAX SYSTEMS

In 2015, the indexing rate of the Québec tax system (1.06%) will be lower than the indexing rates applied by the federal government and five of the six other provinces that index their tax system.

TABLE 2

Indexing rates of the federal and provincial personal tax systems
(percent)

	2007	2008	2009	2010	2011	2012	2013	2014	2015[1]
Federal[2]	2.2	1.9	2.5	0.6	1.4	2.8	2.0	0.9	1.7
Provinces									
– Newfoundland[3],[4]	1.0	1.1	2.8	0.7	2.0	3.1	2.6	1.5	2.2
– Prince Edward Island[5]	—	—	—	—	—	—	—	—	—
– Nova Scotia[6]	—	—	—	—	—	—	—	—	—
– New Brunswick[2],[7]	2.2	1.9	2.5	2.0	2.0	2.8	2.0	0.9	1.7
– **Québec[7]**	**2.03**	**1.21**	**2.36**	**0.48**	**1.27**	**2.66**	**2.48**	**0.97**	**1.06**
– Ontario[4]	2.1	1.5	2.3	0.7	1.8	3.3	1.8	1.0	2.0
– Manitoba	—	—	—	—	—	—	—	—	—
– Saskatchewan[2]	2.2	1.9	2.5	0.6	1.4	2.8	2.0	0.9	1.7
– Alberta[4]	3.6	4.7	3.8	0.3	0.9	1.8	1.8	1.1	2.4
– British Columbia[4]	1.9	1.8	2.0	0.4	0.8	2.4	1.5	0.1	0.7

— Means the tax system was not indexed.
(1) The federal and provincial, other than Québec, indexing rates are projected by the Ministère des Finances du Québec according to the method usually used in the jurisdiction.
(2) The indexing rate is calculated according to the consumer price index for Canada. It is rounded off to one decimal place.
(3) The indexing rate used for 2007 was 2.0%. However, the indexing rate was applied only as of July 1, 2007. Accordingly, the effective rate for 2007 was 1.0%.
(4) The indexing rate is calculated according to the consumer price index for the province.
(5) Note that Prince Edward Island announced, in its 2007 budget, a rise of 2.0% for some parameters of its tax system for 2007 and 2008, including the basic amount and the taxable income bracket thresholds of the tax table.
(6) Note that Nova Scotia stipulated a rise of $250 per year in its basic amount from 2006 to 2010. In addition, some refundable tax credits have been indexed in the same proportion as the rise in the basic amount. For example, the increase in the base amount was 3.23% in 2009 and 3.13% in 2010.
(7) The 2.0% rate for 2010 and 2011 was announced in December 2009.
(8) Since taxation year 2005, Québec's indexing rate has been based on the consumer price index for Québec, excluding alcohol and tobacco.

5. TABLES OF PARAMETERS

TABLE 3

Parameters of the personal income tax system subject to indexing
(dollars)

	2014	2015
Tax table		
– Maximum threshold of first taxable income bracket	41 495	41 935
– Maximum threshold of second taxable income bracket	82 985	83 865
– Maximum threshold of third taxable income bracket	100 970	102 040
Basic amount	11 305	11 425
Amount of recognized essential needs		
– Amount for a person living alone		
• basic amount	1 325	1 340
• supplement for single-parent family	1 640	1 655
– Amount with respect to age	2 435	2 460
– Amount for retirement income	2 160	2 185
– Amount of transfer of the recognized parental contribution		
• maximum amount of recognized needs	7 450	7 530
• reduction where only one session of studies is completed	2 085	2 105
– Amount for a minor child engaged in vocational training or post-secondary studies (per session, maximum of two sessions)	2 085	2 105
– Amount respecting other dependants	3 035	3 065
– Amount for severe and prolonged impairment in mental or physical functions	2 570	2 595
Certain deductions and exemptions		
– Maximum amount of the deduction for workers	1 110	1 120
– Amount of the personal contribution for the purposes of the deduction for tradespersons' tools	1 120	1 130
– Maximum amount of the exemption relating to amounts paid to emergency services volunteers	1 110	1 120
– Maximum monthly amount for the exemption of certain allowances for room and board paid to young athletes	340	345
Reduction thresholds or maximum income		
– Reduction threshold of the tax credit for a person living alone, for age and for retirement income	32 795	33 145
– Reduction threshold of the refundable tax credit for home maintenance of seniors	55 320	55 905
– Reduction threshold of the refundable tax credit for respite expenses of informal caregivers	55 320	55 905
– Maximum family income to qualify for the refundable tax credit for youth activities	131 260	132 650
– Maximum net income to qualify for the refundable tax credit for seniors' activities	40 000	40 425

TABLE 3 (continued)

Parameters of the personal income tax system subject to indexing
(dollars)

	2014	2015
Certain refundable tax credits		
– Tax credit for medical expenses		
• maximum amount	1 141	1 153
• minimum amount of earned income	2 925	2 955
• reduction threshold	22 080	22 315
– Tax credit for natural caregivers of adults		
• basic amount	628	635
• supplement reducing with income	514	519
• reduction threshold	22 840	23 080
– Québec education savings incentive		
• first income threshold for purposes of calculating the increase	41 495	41 935
• second income threshold for purposes of calculating the increase	82 985	83 865
– Tax credit for holders of a taxi driver's or taxi owner's permit	553	559
Solidarity tax credit		
– Amounts for the QST		
• basic amount	275	278
• amount for spouse	275	278
• additional amount for person living alone	132	133
– Amount for housing		
• amount for a couple	647	654
• amount for a person living alone or a single-parent family	533	539
• amount for each dependent child	114	115
– Amounts for individuals living in a northern village		
• amount per adult	1 620	1 637
• amount for each dependent child	350	354
– Solidarity tax credit reduction threshold	32 795	33 145
1% contribution by individuals to the Health Services Fund		
– Maximum threshold of first taxable income bracket	14 135	14 285
– Maximum threshold of second taxable income bracket	49 140	49 660
Health contribution		
– First net income threshold	18 175	18 370
– Second net income threshold	40 390	40 820
– Third net income threshold	131 260	132 650

TABLE 3 (continued)

Parameters of the personal income tax system subject to indexing
(dollars)

	2014	2015
Child assistance		
– Maximum amounts		
• 1st child	2 341	2 366
• 2nd and 3rd children	1 170	1 182
• 4th and subsequent children	1 755	1 774
• single-parent family	821	830
– Minimum amounts		
• 1st child	657	664
• 2nd and subsequent children	607	613
• single-parent family	328	331
– Monthly amount of the supplement for a handicapped child	185	187
– Reduction threshold		
• single-parent family	33 944	34 280
• couple	46 699	47 196
General work premium		
– Maximum amounts		
• person living alone	552.02	557.90
• couple without children	861.98	871.92
• single-parent family	2 365.80	2 391.00
• couple with children	3 078.50	3 114.00
– Reduction threshold		
• one adult	10 286	10 370
• couple	15 914	16 056
Adapted work premium for persons with severely limited capacity for employment		
– Maximum amounts		
• person living alone	1 071.36	1 082.88
• couple without children	1 605.06	1 623.78
• single-parent family	2 976.00	3 008.00
• couple with children	3 566.80	3 608.40
– Reduction threshold		
• one adult	13 104	13 232
• couple	19 034	19 242

TABLE 4

Parameters of the refundable tax credit for child care expenses – 2014

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	34 065	75	46 685	47 945	64	140 385	141 650	44
34 065	35 325	74	47 945	49 210	63	141 650	142 925	42
35 325	36 590	73	49 210	50 465	62	142 925	144 190	40
36 590	37 850	72	50 465	51 730	61	144 190	145 455	38
37 850	39 110	71	51 730	93 360	60	145 455	146 730	36
39 110	40 365	70	93 360	134 030	57	146 730	147 995	34
40 365	41 645	69	134 030	135 305	54	147 995	149 280	32
41 645	42 900	68	135 305	136 570	52	149 280	150 545	30
42 900	44 155	67	136 570	137 840	50	150 545	151 815	28
44 155	45 410	66	137 840	139 115	48	151 815	ou plus	26
45 410	46 685	65	139 115	140 385	46			

TABLE 5

Parameters of the refundable tax credit for child care expenses – 2015

Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)	Family income ($)		Tax credit rate (%)
Greater than	Without exceeding		Greater than	Without exceeding		Greater than	Without exceeding	
—	34 425	75	47 180	48 455	64	141 875	143 150	44
34 425	35 700	74	48 455	49 730	63	143 150	144 440	42
35 700	36 980	73	49 730	51 000	62	144 440	145 720	40
36 980	38 250	72	51 000	52 280	61	145 720	146 995	38
38 250	39 525	71	52 280	94 350	60	146 995	148 285	36
39 525	40 795	70	94 350	135 450	57	148 285	149 565	34
40 795	42 085	69	135 450	136 740	54	149 565	150 860	32
42 085	43 355	68	136 740	138 020	52	150 860	152 140	30
43 355	44 625	67	138 020	139 300	50	152 140	153 425	28
44 625	45 890	66	139 300	140 590	48	153 425	ou plus	26
45 890	47 180	65	140 590	141 875	46			